



**Newfoundland and Labrador
Industrial Development Corporation**

**Government of Newfoundland and Labrador
Department of Finance**

Annual Report

March 31, 2009

**Newfoundland and Labrador
Industrial Development Corporation**

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Department of Finance**

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**NEWFOUNDLAND AND LABRADOR INDUSTRIAL
DEVELOPMENT CORPORATION**

P. O. Box 8700
St. John's, Newfoundland and Labrador
A1B 4J6

September 23, 2009

Honourable Jerome P. Kennedy, Q.C.
Minister of Finance
Government of Newfoundland and Labrador
Confederation Building
St. John's, NL
A1B 4J6

Dear Minister Kennedy:

On behalf of the Board of Directors, it is my pleasure to submit the Annual Report for the Newfoundland and Labrador Industrial Development Corporation summarizing the Corporation's activities for the fiscal year ended March 31, 2009. This report has been prepared in accordance with the provisions of Section 16 of the *Industrial Development Corporation Act* and Section 9 of the *Transparency and Accountability Act*.

The Board of Directors has approved the financial statements and information contained in this report, and the Board is accountable for the results reported herein.

Sincerely,

A handwritten signature in black ink, appearing to read 'Terry Paddon', with a long horizontal line extending to the right.

Terry Paddon
Chairman of the Board

**Newfoundland and Labrador
Industrial Development Corporation
Annual Report
March 31, 2009**

CORPORATE OVERVIEW

The Newfoundland and Labrador Industrial Development Corporation ("NIDC"), established in 1967, has a broad mandate with respect to economic development in the province pursuant to the *Industrial Development Corporation Act*. While NIDC's primary purpose is to provide long-term financing to industrial and resource based projects, it can participate in a wide array of development projects for purposes as may be approved by the Lieutenant Governor in Council.

The affairs of NIDC are managed by a Board of Directors appointed by the Lieutenant Governor in Council. All Board members are employees of the Province.

Board Representation and Accountability

The affairs of NIDC are overseen by a Board of Directors appointed by the Lieutenant Governor in Council. All Board members are employees of the Province with the position of Chair held by the Deputy of Minister of Finance. The Board meets no less often than annually and approves its Annual Financial Statements and Annual Report, both of which are then tabled in the House of Assembly by the Minister of Finance. The members of the Board as at March 31 and their positions are as follows:

Mr. Terry Paddon (Chair)
Deputy Minister of Finance

Mr. Alastair O'Rielly
Deputy Minister of Fisheries & Aquaculture.

Mr. Brent Meade
Deputy Minister of Innovation,
Trade and Rural Development

Ms. Donna Brewer
Assistant Deputy Minister
Financial Planning and Benefits Administration
Department of Finance

Mr. Paul Myrden
Director of Debt Management
Department of Finance

Operational and Corporate Information

NIDC has no direct employees as the day-to-day affairs are administered by employees of the Department of Finance. Contact information is as follows:

Mailing Address:

Newfoundland and Labrador
Industrial Development Corporation
c/o Department of Finance
Confederation Building
East Block, Main Floor
P. O. Box 8700
St. John's, NL
A1B 4J6

Office Location:

Debt Management Division
Department of Finance
Confederation Building
East Block, Main Floor
Telephone: (709)-729-2927
Fax: (709) 729-2095

Departmental Website:

www.gov.nl.ca/fin

HIGHLIGHTS

During fiscal year 2008-09, there were no new investments made or assistance provided by NIDC.

PROGRESS ON OBJECTIVES – 2008-09

NIDC is mandated to provide long-term financing to industrial and resource based projects. This is primarily achieved by entering into commercial investments or other financial arrangements which was the focus of NIDC's 2008-11 Activity Plan. In recent years, however, NIDC has been relatively inactive because most investment activity has been undertaken either directly by the Province or through other Crown Corporations. The following section provides additional information on the activities of NIDC for 2008-09.

Objective:

By March 31, 2009, NIDC will have entered into commercial investments or other arrangements as directed by the Province.

Measure:

Commercial investments or other arrangements completed as directed by the Province.

Indicators:

- Board approval of completed transactions as documented and approved in the Annual Report.
- Tabling of Annual Report in the House of Assembly.

Result of 2008-09 Objective:

As there was no direction for such by the Province, no new investments were made during the year.

OBJECTIVE – 2009-10

By March 31, 2010, NIDC will have continued to enter into commercial investments or other arrangements as directed by the Province.

Measure: Commercial investments or other arrangements completed as directed by the Province.

Indicators:

- Board approval of completed transactions as documented and approved in the Annual Activity Report.
- Tabling of Annual Activity Report in the House of Assembly.

OPPORTUNITIES AND CHALLENGES AHEAD

While NIDC has met its mandate pursuant to its enabling legislation, it remains available to be used from time to time to facilitate projects.

FINANCIAL STATEMENTS

NIDC's audited financial statements for the year ended March 31, 2009 are attached.

NEWFOUNDLAND AND LABRADOR
INDUSTRIAL DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

31 MARCH 2009



OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

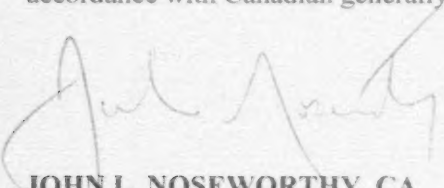
AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Industrial
Development Corporation
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Industrial Development Corporation as at 31 March 2009 and the statements of revenues, expenses and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
12 June 2009

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT
CORPORATION
BALANCE SHEET**

31 March

2009

2008

(000's)

(000's)

ASSETS

Current

Cash	\$	387	\$	332
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<u>Investments, at cost (Note 2)</u>		3,500		33,500
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	\$	3,887	\$	33,832
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LIABILITIES AND SURPLUS

Current

Accounts payable and accrued liabilities	\$	1	\$	1
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<u>Long-term debt (Note 3)</u>		-		29,411
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		1		29,412
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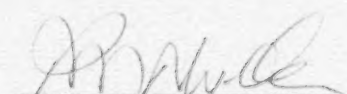
<u>Surplus</u>		3,886		4,420
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	\$	3,887	\$	33,832
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See accompanying notes

Signed on behalf of the Board of Directors:


Chairperson


Director

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT
CORPORATION**

STATEMENT OF REVENUES, EXPENSES AND SURPLUS

For the Year Ended 31 March

	2009	2008
	(000's)	(000's)
REVENUES		
Lease income (Note 2(c))	\$ 50	\$ 50
Interest and investment income	6	10
	<u>56</u>	<u>60</u>
EXPENSES		
Write down of investment (Note 2(b))	-	450
Professional services	1	1
	<u>1</u>	<u>451</u>
Excess of revenues over expenses (expenses over revenues) from operations	55	(391)
EXTRAORDINARY ITEMS		
Write down of investment (Note 2(a))	(30,000)	-
Write down of long-term debt (Note 3)	29,411	-
	<u>(589)</u>	<u>-</u>
Excess of expenses over revenues	(534)	(391)
Surplus, beginning of year	4,420	4,811
Surplus, end of year	\$ 3,886	\$ 4,420

See accompanying notes

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT
CORPORATION**

STATEMENT OF CASH FLOWS

For the Year Ended 31 March

	2009	2008
	(000's)	(000's)
Cash flows from operating activities		
Excess of expenses over revenues	\$ (534)	\$ (391)
Add non-cash items:		
Write down of investment (Note 2)	30,000	450
Write down of long-term debt (Note 3)	(29,411)	-
	55	59
Changes in non-cash working capital	-	50
Net increase in cash	55	109
Cash, beginning of year	332	223
Cash, end of year	\$ 387	\$ 332

See accompanying notes

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT
CORPORATION**
NOTES TO FINANCIAL STATEMENTS
31 March 2009

Authority

The Newfoundland and Labrador Industrial Development Corporation (NIDC) operates under the authority of the *Industrial Development Corporation Act*. The primary purpose of NIDC is to provide long-term financing to industrial and resource-based companies. Funding is secured through various means including borrowing from the Province of Newfoundland and Labrador (Province). The affairs of NIDC are managed by a Board of Directors appointed by the Lieutenant-Governor in Council.

1. Basis of accounting

These financial statements have been prepared by NIDC's management in accordance with Canadian generally accepted accounting principles.

2. Investments

	2009	2008
	(000's)	(000's)
Water rights held in Labrador	\$ -	\$ 30,000
<u>Icewater Seafoods Inc., 35,000 Preference Shares</u>	<u>3,500</u>	<u>3,500</u>
	\$ 3,500	\$ 33,500

(a) Water rights held in Labrador

The *Energy Corporation of Newfoundland and Labrador Water Rights Act*, which was assented to on 4 June 2008, extinguished NIDC's water rights to the Lower Churchill River, without any compensation. As a result of the expropriation, NIDC's investment in these water rights, which was valued at \$30,000,000, was written down to \$0.

(b) Griffiths Guitars International Limited

During 2007-08, Griffiths Guitars International Limited was placed in receivership. The Company's assets were sold to a third party, however, the proceeds from the sale were insufficient to provide any return on the Company's performance shares. As a result, NIDC's investment in Griffiths Guitars International Limited, which was valued at \$450,000, was written down to \$0.

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT
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NOTES TO FINANCIAL STATEMENTS
31 March 2009

2. Investments (cont.)

(c) Icewater Seafoods Inc.

During 2004-05, NIDC was authorized by the Province to provide funding to Icewater Seafoods Inc. in the amount of \$3,500,000 by way of a preference share investment in order to assist Icewater Seafoods Inc. in its acquisition of the Arnold's Cove seafood processing facility. These preference shares, having a par value of \$100 per share, are non-voting and redeemable with annual, fixed, preferential and cumulative dividends. The Province advanced funding to NIDC for this investment, by way of two \$1,750,000 grants. These grants were received in October 2004 and April 2005, with 17,500 preference shares purchased from each grant.

By Agreement dated 8 October 2004, NIDC has acquired for nominal consideration from High Liner Foods Incorporated, the previous operator of the Arnold's Cove seafood processing facility, its Enterprise Allocations, vessel designations and historic rights for Newfoundland and Labrador offshore fishing areas, as defined by the Agreement.

By separate lease Agreement, also dated 8 October 2004, NIDC leased these Enterprise Allocations, vessel designations and historic rights for Newfoundland and Labrador offshore fishing areas, to Icewater Seafoods Inc. and Icewater Harvesting Inc. This lease is for a period of twenty years at \$50,000 each year and is subject to certain restrictions and conditions contained in the lease Agreement.

3. Long-term debt

	2009 (000's)	2008 (000's)
Non-interest bearing notes payable to the Province, no fixed terms of repayment or maturity dates	\$ -	\$ 29,411

This debt was incurred to purchase water rights held in Labrador, valued at \$30,000,000 (Note 2(a)). The *Energy Corporation of Newfoundland and Labrador Water Rights Act*, which was assented to on 4 June 2008, extinguished NIDC's water rights to the Lower Churchill River, without any compensation. As a result of the expropriation, there was no prospect of repayment of the corresponding long-term debt by NIDC. Consequently, Treasury Board directed that the \$29.4 million debt owed by NIDC to the Province be written off.

**NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT
CORPORATION**
NOTES TO FINANCIAL STATEMENTS
31 March 2009

4. Distribution of earnings

Pursuant to Section 30 of the *Industrial Development Corporation Act*, the balance that the Minister of Finance considers to be available out of the net profits of NIDC is to be paid to the Province at such intervals and in a manner that the Minister may direct by notice to the Chairperson of the Board.

5. Related party transactions

NIDC is administered by employees of the Department of Finance. The costs of administration are paid directly by the Department. These costs are not material and therefore are not reflected in these financial statements.

6. Financial instruments

NIDC's short-term financial instruments recognized on the balance sheet consist of cash and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

7. Economic dependence

As a result of NIDC's reliance on Provincial funding, its ability to continue viable operations is dependent upon the decisions of the Province.

8. Income taxes

NIDC is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.